

SUBJECT: Updating a city's eligibility to establish homestead preservation districts

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 7 ayes — Alvarado, Leach, Bernal, Elkins, Isaac, J. Johnson, Zedler
0 nays

SENATE VOTE: On final passage, May 8 — 24-7 (Burton, Creighton, Hall, Hancock, Huffines, Schwertner, V. Taylor)

WITNESSES: None

BACKGROUND: The 79th Legislature in 2005 enacted HB 525 by Rodriguez, allowing certain cities to establish homestead preservation districts. These districts are designed to promote a city's ability to increase home ownership, provide affordable housing, and prevent low-income and moderate income homeowners living in disadvantaged neighborhoods from losing their homes.

Under Local Government Code, ch. 373A, which was added by HB 525, eligible cities may create a homestead preservation reinvestment zone to develop or redevelop affordable housing. A city that designates a homestead preservation district also may provide tax-exempt bond financing, density bonuses, or other incentives to increase the supply of affordable housing and maintain the affordability of existing housing for low-income and moderate-income families.

Observers note that the city of Austin has outgrown the requirements initially created for a municipality to be eligible to establish homestead preservation districts and reinvestment zones. Concerned parties suggest that updating the eligibility requirements would allow the cities of Austin and San Antonio to prevent the displacement of low-income and moderate-income families in neighborhoods with rapidly increasing home values.

DIGEST: CSSB 1656 would allow a municipality to be eligible to establish homestead preservation districts and reinvestment zones if it had a population of 750,000 and was located in a uniform state service region with fewer than 800,000, instead 550,000, occupied housing units. A municipality that contained more than 75 percent of the population of a county with a population of 1.5 million or more also would be eligible to establish homestead preservation districts and reinvestment zones.

The provisions would still apply if the municipality's population or the number of occupied housing units changed and the municipality no longer met the population requirement established by the bill.

The bill would take effect September 1, 2017.

NOTES: A companion bill, HB 3281 by E. Rodriguez, was approved by the House on May 9 and is scheduled for a public hearing in the Senate Intergovernmental Relations Committee on May 21.